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AZ CORP COMMISSION  
Arizona Corporation Commission  
**DOCKETED**

SEP 05 2001

September 5, 2001

Ms. Lyn Farmer, Chief Administrative Law Judge  
ARIZONA CORPORATION COMMISSION  
Legal Division  
1200 West Washington  
Phoenix, Arizona 85007

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**RE: Docket No. E-00000A-01-0630, In the Matter of the Generic Proceeding  
Concerning the Arizona Independent Scheduling Administrator ("AISA")**

Dear Ms. Farmer:

APS Energy Services, Inc. ("APSES") appreciates this opportunity to inform the Commission regarding our view of the AISA. APSES is not attempting to address all of the questions raised by the Commission. However, we would like to bring to the Commission's attention a critical feature of the AISA Protocols Manual which we believe must be retained to ensure the potential for retail direct access in Arizona whether the AISA remains in place or not.

As the only Energy Service Provider ("ESP") in Arizona that has competitively served retail customers in Salt River Project's (SRP), Arizona Public Service Company's ("APS") and Tucson Electric Power Company's ("TEP") service territories, APSES has a practical perspective on retail transmission access in Arizona. APSES has and continues to be supportive of the AISA, but desires a full RTO to come into existence in order to sustain meaningful choice for consumers.

During the development of the AISA Protocols, APSES advocated for a "common path" allocation of transmission path capacity. The common path allocation allows an ESP to purchase generation at a wholesale market hub and, using a single common transmission path, transmit the power directly to the competitively served load. As outlined in Section 4.3.4 of Section V of the Protocols Manual, the common path allocation offers:

- For competitive retail load in APS's service territory - 200 MWs of capacity from Palo Verde to APS load zones, and
- For competitive retail load in TEP's service territory - 80 MWs of capacity from Four Corners to TEP load zones.

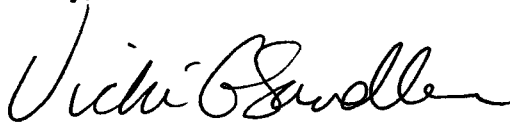
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This common path allocation replaced the prior interim proposal of a pro rata allocation of transmission path capacity<sup>1</sup>. Under the pro rata allocation method, in each Affected Utility's service territory, an ESP would have had to use several paths to serve its customers. An ESP would have been allocated a pro rata share of each generator-to-load transmission path used by the Affected Utility, without regard to the availability of a wholesale market hub at the generator side of the transmission path.

The common path allocation is crucial to an ESP's ability to serve retail load in Arizona. Absent the common path allocations of transmission capacity, ESPs would be unable to provide direct access to a retail customer because of unreasonable limitations on access to the wholesale markets. An ESP may have had to purchase additional transmission service from the Affected Utility to transmit the power from wholesale hubs to each allocated path in addition to purchasing the pro rata allocated transmission service – e.g. purchase “pancaked” transmission service. If only the ESP has to pay twice for transmission service from the liquid trading hubs, and the incumbent providers do not, there is not a level playing field and new competitors will not thrive.

Without the competitive ESPs, there will be little real choice for customers and competition will not be fostered. In order to succeed as a competitive provider it is critical that an ESP be able to procure power at liquid wholesale market hubs and deliver it over one transmission path, as the incumbents do. Therefore, APSES suggests that any Commission action taken in regard to the AISA include a provision that the Protocols Manual be retained by the Affected Utilities in their FERC Open Access Transmission Tariffs until an RTO is operational in Arizona.

Sincerely,



Vicki G. Sandler  
President

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<sup>1</sup> The interim, or “Phase I”, allocation is to be effective until competitive direct access load in Arizona reaches 300 MW and the AISA Board approves a business plan covering all aspects of AISA activities after that date.

VGS/MMO

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